



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

March 23, 1998

### **H.R. 3485**

### **Campaign Reform and Election Integrity Act of 1998**

*As ordered reported by the Committee on House Oversight on March 18, 1998*

#### **SUMMARY**

H.R. 3485 would make numerous amendments to the Federal Election Campaign Act of 1971. In particular, the bill would:

- (1) require that national banks, corporations, and labor organizations obtain written authorization from employees prior to using a portion of any dues or fees to influence political activities at the federal level,
- (2) ban political contributions by noncitizens,
- (3) expedite and expand the reporting of information to the Federal Election Commission (FEC),
- (4) require the electronic filing of information for campaigns that spend or raise more than \$50,000,
- (5) allow state and local election officials in certain "pilot" states to request that the Social Security Administration (SSA) and Immigration and Naturalization Service (INS) verify voter eligibility,
- (6) raise individual contribution limits to candidates and political parties,
- (7) index the amount of penalties and fines to the rate of inflation, and
- (8) restrict the use of so-called "soft" money by political parties and federal candidates.

The bill's amendments would apply to elections occurring after January 1999.

Assuming appropriation of the necessary funds, CBO estimates that implementing H.R. 3485 initially would increase costs at the FEC by between \$1 million and \$2 million in fiscal year 1999 to write and implement regulations and to write, print, and mail brochures and other informational materials. In later years, the bill would increase costs at the FEC to address compliance issues, but we have no basis for determining the amount of such annual increases.

In addition to increasing costs at the FEC, the bill also would increase costs at SSA and the INS to respond to inquiries from state and local election officials from the five or more states selected to participate in a pilot project to verify voter eligibility. Such costs, however, are highly uncertain, both because neither SSA nor the INS has the information that would be necessary to confirm the citizenship status of the vast majority of the voting-age population and because it is uncertain whether states would actively use the system given such data limitations. Further, the bill would prohibit either agency from creating new data bases for the project.

If, however, SSA or INS interpreted the language as allowing it to modify an existing data base by creating a new field for citizenship status, CBO estimates that the agency would incur costs of several hundred million dollars or more, subject to appropriation of the necessary funds, to contact cardholders, process forms, secure information, and verify citizenship under a more extensive verification process for the five states mandated by the bill—New York, California, Texas, Florida, and Illinois.

Because H.R. 3485 would increase the amount of penalties and fines for violating campaign finance laws, pay-as-you-go procedures would apply. CBO, however, estimates that additional payments to the federal government from penalties and fines, which would constitute an increase in governmental receipts, would not be significant.

H.R. 3485 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would require states to notify the Federal Election Commission by January 1, 2000, if they decide not to include a citizenship check-off on voter registration applications. CBO estimates that the cost of this mandate on states would be negligible.

## **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

Implementing H.R. 3485 would entail certain start-up costs at the FEC. Assuming appropriation of the necessary funds, CBO estimates that the FEC would incur costs of

between \$1 million and \$2 million in fiscal year 1999 to write and implement regulations and to write, print, and mail brochures and other informational materials.

CBO estimates that requiring the FEC to process and post on its web site transactions filed by candidates within 90 days of an election would increase costs in election years by less than \$500,000, beginning with the 2000 elections. Currently, the FEC posts receipts and expenditures of larger contributions on a periodic basis only.

Requiring that political committees electronically file all reports detailing the raising or spending of more than \$50,000 and changing the reporting cycle from a calendar-year to an election-year basis would decrease costs at the FEC. CBO estimates that the amount of such reductions in annual costs would total less than \$500,000.

In addition to increasing costs at the FEC, the bill also would increase discretionary costs at SSA and the INS to respond to inquiries from state and local election officials from the five or more states selected to participate in a pilot project to verify voter eligibility. Such costs, however, are highly uncertain, because neither SSA nor the INS has the information that would be necessary to definitively confirm the citizenship status for the vast majority of the voting-age population. SSA issues Social Security numbers (SSNs) to native-born citizens, naturalized citizens, and aliens legally admitted for permanent residence; the citizenship information in SSA's files may not be up-to-date or—if the SSN was issued before 1981—may not be based on documentary evidence. The INS has information about naturalized citizens but not about native-born citizens; even those data contain gaps, are not entirely automated, and rely on the alien registration number rather than the SSN. Thus, neither agency could definitively confirm citizenship using existing data.

Because the limitations of these data would soon become apparent to state and local officials, the number of inquiries is likely to be small, as would the cost of responding to them. Although the bill would prohibit either agency from creating new data bases for the project, SSA or INS could interpret the language as allowing modification of an existing data base by creating a new field for citizenship status. In that case, CBO estimates that the agency would incur costs of several hundred million dollars or more to contact cardholders, process forms, secure information, and verify citizenship under a more extensive verification process. Any such costs would be subject to appropriation of the necessary amounts.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act of 1985 specifies procedures for legislation affecting direct spending and receipts. Pay-as-you-go procedures would apply to

H.R. 3485 because it would increase the amount of penalties and fines for violating campaign finance laws, which would constitute an increase in governmental receipts. Specifically, the bill would: (1) double the amount of the penalty imposed for violating the ban on soliciting or accepting contributions by noncitizens, (2) generally index the amount of penalties and fines for campaign finance violations to the rate of inflation, and (3) impose a new fine of \$1 million for presidential candidates who conspire to violate presidential campaign spending limits.

According to the FEC, it negotiates the amount of any fines and penalties paid to the federal government for violations of campaign finance laws and has the option of seeking a penalty that is equal to the amount of the contribution or expenditure involved in a violation, in lieu of fixed, often smaller, dollar values. Thus, indexing the amount of fines and penalties for inflation is unlikely to have a significant impact on amounts negotiated by the FEC. Additionally, penalties and fines typically are settled and paid several years after an offense is committed. Consequently, CBO estimates that H.R. 3485 would not significantly increase payments to the federal government from penalties and fines, particularly in fiscal years 1999 through 2003.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 3485 contains an intergovernmental mandate as defined in UMRA. Subtitle B of Title V would require states to notify the Federal Election Commission by January 1, 2000, if they decide not to include a citizenship check-off on voter registration applications. This requirement would apply to all states that do not currently have a citizenship check-off. CBO estimates that the cost of making such a notification would be negligible.

States that choose to include a citizen check-off would incur some costs to replace their existing stock of voter registration applications. Total costs would depend on how many states would opt out of implementing this new requirement. CBO estimates that these costs would not be significant because many states, including some of the larger ones, either already comply or would choose to opt out.

The bill contains other provisions that would affect state, local, and tribal governments. Subtitle A of Title V would establish a voter eligibility verification pilot program that would allow states to request information on the citizenship of individuals who have submitted voter registration applications. Title V would also allow states to adopt new procedures to improve the administration of voter removal programs. These provisions would not impose significant costs on state, local, or tribal governments.

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